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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM  
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA  
HQ USAF FOR XXXX  
DA WASHDC FOR SASA  
JOINT STAFF WASHDC FOR PA  
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
LONDON ALSO FOR HKANONA AND POL  
PARIS ALSO FOR POL  
ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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Secretary Rice to Israel, West Bank, August 25-26, 2008

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Key stories in the media:  
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Leading media reported on the arrival of Secretary of State Condoleezza Rice in Israel yesterday. The Jerusalem Post reported that Rice indicated that she had abandoned hope of getting the Israelis and Palestinians to produce a document before the mid-September UN General Assembly that would codify points of agreement. Israel Radio reported that Defense Minister Ehud Barak

clarified to her that he is not ruling out any option to prevent Iran from going nuclear. Makor Rishon-Hatzofe cited the belief of GOI officials that, contrary to other members of the U.S. administration, Secretary Rice has not yet despaired of reaching a framework agreement before the end of President Bush's term.

Ha'aretz, The Jerusalem Post, and Makor Rishon-Hatzofe highlighted a statement by Barack Obama yesterday that the world must increase pressure on Iran over its nuclear program before Israel feels it has its "back on the wall."

Leading media reported that DM Barak will go to Egypt this morning for a working visit with an agenda that will include the Egyptian-mediated talks with Hamas on a prisoner exchange for Gilad Shalit. Barak will meet with Egyptian President Hosni Mubarak, Defense Minister Hussein Tantawi, and Intelligence Minister Omar Suleiman. Other topics of discussion will include the truce with Hamas in the Gaza Strip and the battle against arms smuggling into Gaza. Deputy DM Matan Vilnai, who will accompany Barak to Egypt, told Ha'aretz that Israel ascribes great importance to its ties with Egypt and to Cairo's efforts to keep the Gaza border quiet. However, he acknowledged that no real progress has been made on a deal for Shalit. The Jerusalem Post reported that senior Israeli security officials told the newspaper that while Egyptian efforts to stop weapon smuggling into Gaza have increased in recent weeks, Hamas is still continuing the illegal operations at a rapid pace.

Ha'aretz and The Jerusalem Post cited Peace Now's claim in its semi-annual report that more than 2,600 housing units are under construction in West Bank settlement. The report also addresses

construction over the Green Line within Jerusalem's municipal boundaries, as East Jerusalem saw an increase in tenders for construction of housing units to 46 this year, from 38 during January-May 2007. Ha'aretz quoted Peace Now Director Yariv Oppenheimer as saying: "Israel is erasing the Green Line through intensive construction intended to create territorial continuity between settlement blocs and isolated settlements in the heart of the West Bank, with this construction approaching Palestinian cities such as Bethlehem and Ramallah."

Ha'aretz cited a report submitted to UN Secretary-General Ban Ki-moon yesterday by a task force he appointed to study the issue, according to which Lebanon's eastern border with Syria is wide open to smugglers. The report harshly criticizes both Lebanon and Syria, saying there has been no improvement over the past year despite promises by both countries to study the issue.

All media reported that yesterday the IAF moved its transport and refueling aircraft to a new base in the Negev.

The Jerusalem Post reported that the former head of the International Section of the State Attorney's Office, Irit Kahn, told the newspaper yesterday that it was unlikely that U.S. prosecutors would grant immunity to Morris Talansky.

Ha'aretz reported that seven Palestinians from the Shuafat refugee camp in northeastern Jerusalem were arrested two weeks ago on suspicion of operating a Palestinian police unit in the city.

Ha'aretz wrote that defense chiefs lost their war over the budget. However, Globes believes that the crucial battle for the budget will be fought in the Knesset.

Leading media reported that yesterday Bank of Israel Governor Stanley Fischer announced the increase of the bank's benchmark rate by 25 basis points, to 4.25%. The move widens the interest-rate gap between Israel and the U.S. federal funds rate to 2.25%.

Ha'aretz reported that the Ofer family firm Israel Corporation had a brilliant second quarter, thanks to Israel Chemicals. Israel Corporation's net soared by 319% year over year in the second quarter, to \$268 million.

Ha'aretz reported that yesterday Yoram Elal, an Israeli who has been living in Brazil for the past two years and is believed to be one of the key figures in the Abergil crime organization, denied having either joined the FBI's witness protection program or testified

against alleged Israeli kingpin Yitzhak Abergil.

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Secretary Rice to Israel, West Bank, August 25-26, 2008:  
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Summary:  
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Senior op-ed writer Akiva Eldar commented in the independent, left-leaning Ha'aretz: "The Prime Minister learned from Ariel Sharon the shortest way to neutralize the State Department."

The conservative, independent Jerusalem Post editorialized (8/26): "[Mahmoud] Abbas could have used a Ramallah ceremony welcoming the [released Palestinian prisoners] to talk about reconciliation.... [At least] it is sobering to remind ourselves that Abbas reflects the most moderate of Palestinian opinion."

Yoav Shurek wrote in the editorial of the nationalist, Orthodox Makor Rishon-Hatzofe: "At such a time, when the Prime Minister lacks any public credit for making decisions, all diplomatic processes must clearly be stopped -- in a sign of respect for issues under debate and the voter's future decisions."

Senior columnist and longtime dove Yoel Marcus wrote in Ha'aretz: "Kadima members will be voting like a herd on September 17, without comprehending the nuances and without really knowing who would make a better party chairman or candidate for prime minister."

Prominent lawyer Shlomo Cohen wrote in the mass-circulation, pluralist Yediot Aharonot: "Self-control in the face of Iranian nuclearization may place the region in a new frame of 'MAD-style' self-restraint."

Block Quotes:  
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II. Caution: There Is No Partner II"

Senior op-ed writer Akiva Eldar commented in the independent, left-leaning Ha'aretz (8/26): "In the last two weeks, when it was discovered that the plan to produce an instant [principles of a final status] document was not proceeding as planned, there has been growing concern among the Palestinians that Olmert has decided to repeat Ehud Barak's Camp David move and roll the blame onto them, in something that could be called 'There Is No Partner II.' Publication of the Olmert outline on the front page of Ha'aretz two weeks ago intensified this concern.... The U.S. Secretary of State, Condoleezza Rice, arrived yesterday in Jerusalem in an attempt, perhaps a last one, to bridge between Olmert's desire to release a memorandum of understanding and Abu Mazen's concern that bypassing such a central issue as Jerusalem will be perceived by his rivals as consent to delaying the discussion until an unknown date. Olmert has already managed to repel a proposal from Rice to note in parentheses, next to the sections on topics about which there are no understandings, the positions of the two parties. The Prime Minister learned from Ariel Sharon the shortest way to neutralize the State Department. One phone call to the office of Vice President Dick Cheney and the matter is closed. If this method does not pan out, then President George W. Bush will also follow in the footsteps of his predecessor, Bill Clinton, who blamed the 2000 version of failure on Yasser Arafat, and attribute blame for the failure of the 2008 model onto Abu Mazen. 'There Is No Partner I' was the signal for the second Intifada. It is no wonder that in the territories they are talking about a third Intifada."

II. "'Unparalleled Cruelty'"

The conservative, independent Jerusalem Post editorialized (8/26): "[Mahmoud] Abbas could have used a Ramallah ceremony welcoming the [released Palestinian prisoners] to talk about reconciliation; to say that the sooner the 60-year-plus war against the Zionist enterprise was halted and a two-state solution accepted by the Arabs, the sooner many more prisoners would be released. He could have mentioned Shalit, if only on humanitarian grounds. Instead Abbas told the crowd: 'We will not rest until [all] the prisoners are freed and the jails are empty,' specifically citing Marwan

Barghouti, serving five consecutive life terms for murder; Ahmed Saadat, imprisoned for the assassination of cabinet minister Rehavam Zeevi; and Aziz Duaik, a Hamas politician taken into custody in response to Shalit's abduction. It is sobering to remind ourselves that Abbas reflects the most moderate of Palestinian opinion."

### III. "Galloping to 'Diplomatic Achievements'"

Yoav Shurek wrote in the editorial of the nationalist, Orthodox Makor Rishon-Hatzofe (8/26): "Since the collapse of the Oslo process, Israel's leaders have been infected with the folly of swift decisions.... Ehud Olmert, the political dead horse, insists on advancing the 'shelf agreement' with the Palestinians and the negotiations with Syria, as if nobody after would be capable of dealing with these crucial issues. The working assumption behind all this is that time works at Israel's expense.... Today it is difficult to imagine Israel without security guards, without fear, and without the rebelliousness of the Israeli Arabs -- but this is how it was during the great rush to the 'diplomatic achievement.' At such a time, when the Prime Minister lacks any public credit for making decisions, all diplomatic processes must clearly be stopped -- in a sign of respect for issues under debate and the voter's future decisions."

### IV. "Polls Apart"

Senior columnist and longtime dove Yoel Marcus wrote in Ha'aretz (8/26): "Kadima voters have no idea what the [primary] contest is about..... In the end, Kadima members will be voting like a herd on September 17, without comprehending the nuances and without really knowing who would make a better party chairman or candidate for prime minister. The surveys, instead of providing a picture of the situation, have become a weapon. Netanyahu, for instance, made it clear that he will not join a national unity government. Why? Because the surveys show that doing so could lose him his position as head of the opposition, with the Likud's measly 12 seats.... So the question becomes: Is it good for the country, or is it good for Bibi's ego? Ehud Barak's problem, according to the surveys, is that people have faith in him as defense minister, but not as prime minister. His aides claim that the surveys do not reflect reality but create it. In fact, they remind us that Barak is not an easy person to love, and that his arrogance and inability to get along with others has put a damper on his comeback."

### 1V. "Living with the Bomb"

Prominent lawyer Shlomo Cohen wrote in the mass-circulation, pluralist Yediot Aharonot (8/26): "The short history of weapons of mass destruction teaches one that exclusive possession of those brought about its use, while mutuality brought about calm.... Self-control in the face of Iranian nuclearization may place the region in a new frame of 'MAD-style' self-restraint. Such a development would also increase the importance of conventional military capabilities in which Israel possesses a considerable edge over all other factors in the region."

CUNNINGHAM